

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Service, and Facilities of San Gabriel Valley Water Company (U 337 W).

FILED
PUBLIC UTILITIES COMMISSION
MARCH 2, 2006
SAN FRANCISCO OFFICE
INVESTIGATION 06-03-001

ORDER INSTITUTING INVESTIGATION

San Gabriel Valley Water Company (San Gabriel) is a public utility Class A water corporation under this Commission's jurisdiction. The Commission exercises, in connection with general rate cases (GRCs), its constitutional and legislative jurisdiction to regulate San Gabriel's rates, practices, service, and the reliability, safety, and adequacy of its facilities. (See Cal. Const. Article XII and Pub. Util. Code §§ 451 and 454.)

On August 5, 2005, San Gabriel filed Application (A.) 05-08-021, a GRC proceeding, requesting in its Fontana Water Company Division to increase revenues by \$5,662,900 or 13.1% in July 2006; \$3,072,500 or 6.3% in July 2007; and \$2,196,000 or 4.2% in July 2008. San Gabriel's requested revenue requirement includes virtually all the company's expenses for operation, maintenance, safety, and general expenses.

We commence this companion investigation to the GRC to be consolidated and heard with A.05-08-021. This investigatory proceeding is opened to enable the Commission to enter orders on matters for which the utility may not be the proponent. It is to afford parties and this Commission an opportunity and forum to provide and consider evidence on issues of interest. Those issues may result in directives to San Gabriel that serve the public interest and result in just and

reasonable rates, service, and facilities. San Gabriel is hereby placed on notice that the evidence taken in these consolidated proceedings may be the basis for findings and Commission orders which, among other things, may reduce rates and order refunds. Accordingly, the Commission commences this investigation to study and determine issues surrounding San Gabriel's revenue requirement, rates, rate base, dividends, service, facilities, and maintenance practices.

Category

This proceeding is categorized as ratesetting.

Need for a Hearing:

Because of the complete record in A.05-08-021, we preliminarily determine that a hearing is not necessary. This Order Instituting Investigation (OII) will be resolved based on the record in A.05-08-021.

Preliminary Scoping Memo

This OII will address the following issues:

1. The Audit Report of the Water Division dated August 2005.
2. Whether San Gabriel's investment of \$27,811,312 in utility plant was with funds that should have been allocated to ratepayers.
3. Whether Pub. Util. Code § 790 is applicable to any portion of the \$27,811,312.
4. If the Commission finds that any portion of the \$27,811,312 should be allocated to ratepayers, should the ratebase in Decision (D.) 04-07-034 be reduced by that portion as a contribution in aid of construction?
5. If ratebase is reduced, should the rates authorized in D.04-07-034 be reduced with the difference between rates in effect pursuant to D.04-07-034 and the rates found reasonable in this OII, refunded to the ratepayers?
6. All issues raised in A.05-08-021.

IT IS ORDERED that:

1. This investigation is commenced as a companion to, and shall be consolidated with Application (A.) 05-08-021, for the purpose of receiving evidence and entering orders within the jurisdiction of the Commission in connection with San Gabriel Valley Water Company's (San Gabriel) revenue requirement, rates, rate base, dividends, service, maintenance, and facilities. San Gabriel is the respondent in this proceeding.
2. San Gabriel is hereby placed on notice that the Commission, for good cause, and to advance the public interest by setting just and reasonable rates and practices for the provision of utility service, may enter orders reducing rates and ordering refunds.
3. The Executive Director shall cause a copy of this order to be served by mail on San Gabriel.
4. This order shall be served on the service list to A.05-08-021.

This order is effective today.

Dated March 2, 2006, at San Francisco, California.

MICHAEL R. PEEVEY
President
GEOFFREY F. BROWN
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
Commissioners